

# Natural Gas Prices

## Economic Impact on Residential and Small Commercial Customers

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# Qualities of Natural Gas Service

- “A potential danger to human health and safety”..  
“if residential utility customers were deprived of  
electric or gas service used for heating” (KCC Docket No.  
114,337-U, Order dated October 18 1983)
- No information about how much natural gas you  
are using when you are using it.
- Very little information about how much the  
natural gas costs while you are using it.

# Impact on Consumer Bills

## ■ Charges

- ◆ Monthly Customer Charge
- ◆ Volumetric Charge
- ◆ Cost of Gas (PGA/COGR)

## ■ Variables

- ◆ Weather
- ◆ Housing Efficiency
- ◆ Consumer Behavior

# New York Mercantile Exchange

## Natural Gas Futures Contract

Nymex.com

■ September 11, 2003

■ September 29, 2003

■ Oct. 2003 \$4.97

■ Oct. 2003 \$4.43

■ Nov. 2003 \$5.18

■ Nov. 2003 \$4.62

■ Dec. 2003 \$5.42

■ Dec. 2003 \$4.88

■ Jan. 2004 \$5.76

■ Jan. 2004 \$5.07

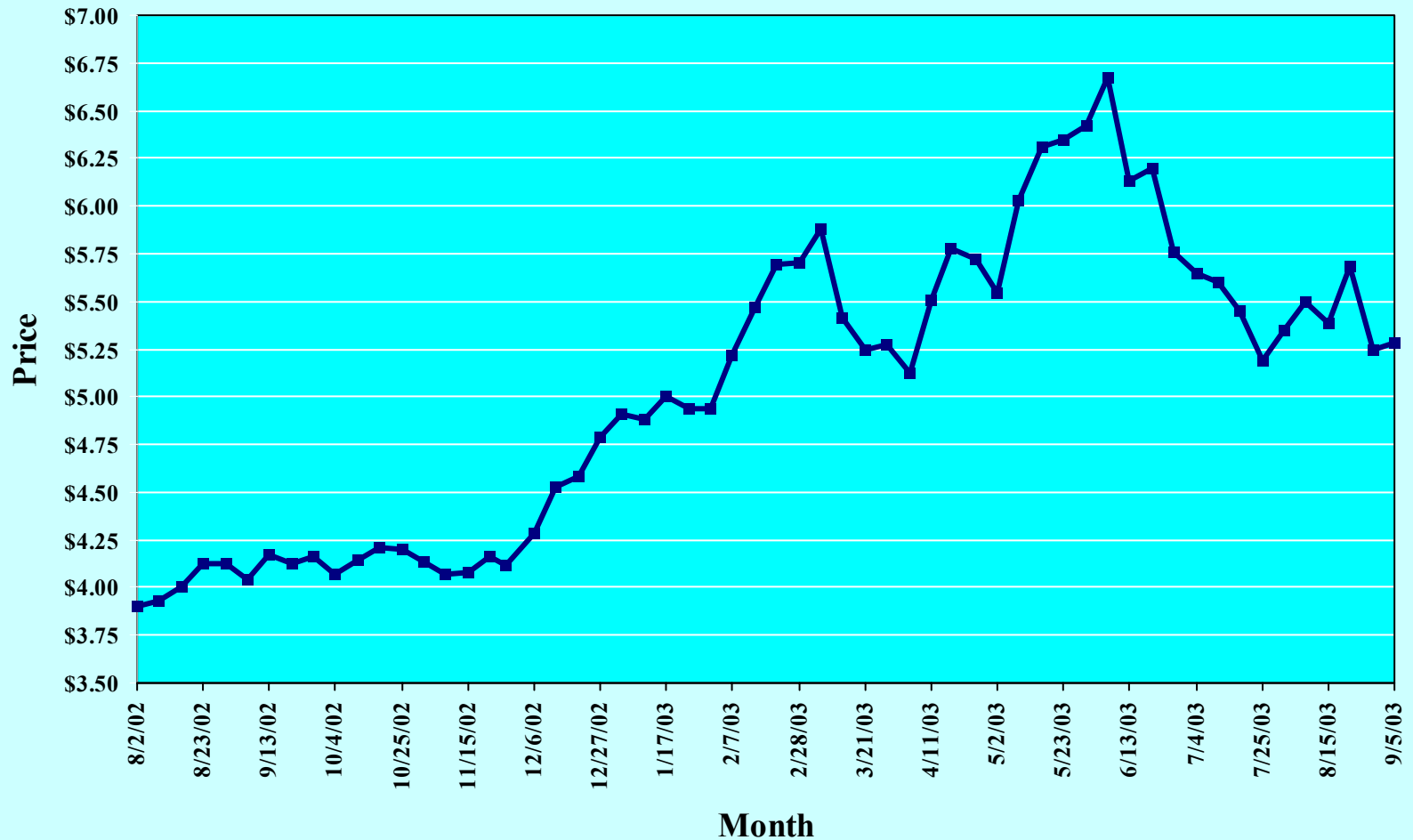
■ Feb. 2004 \$5.51

■ Feb. 2004 \$5.03

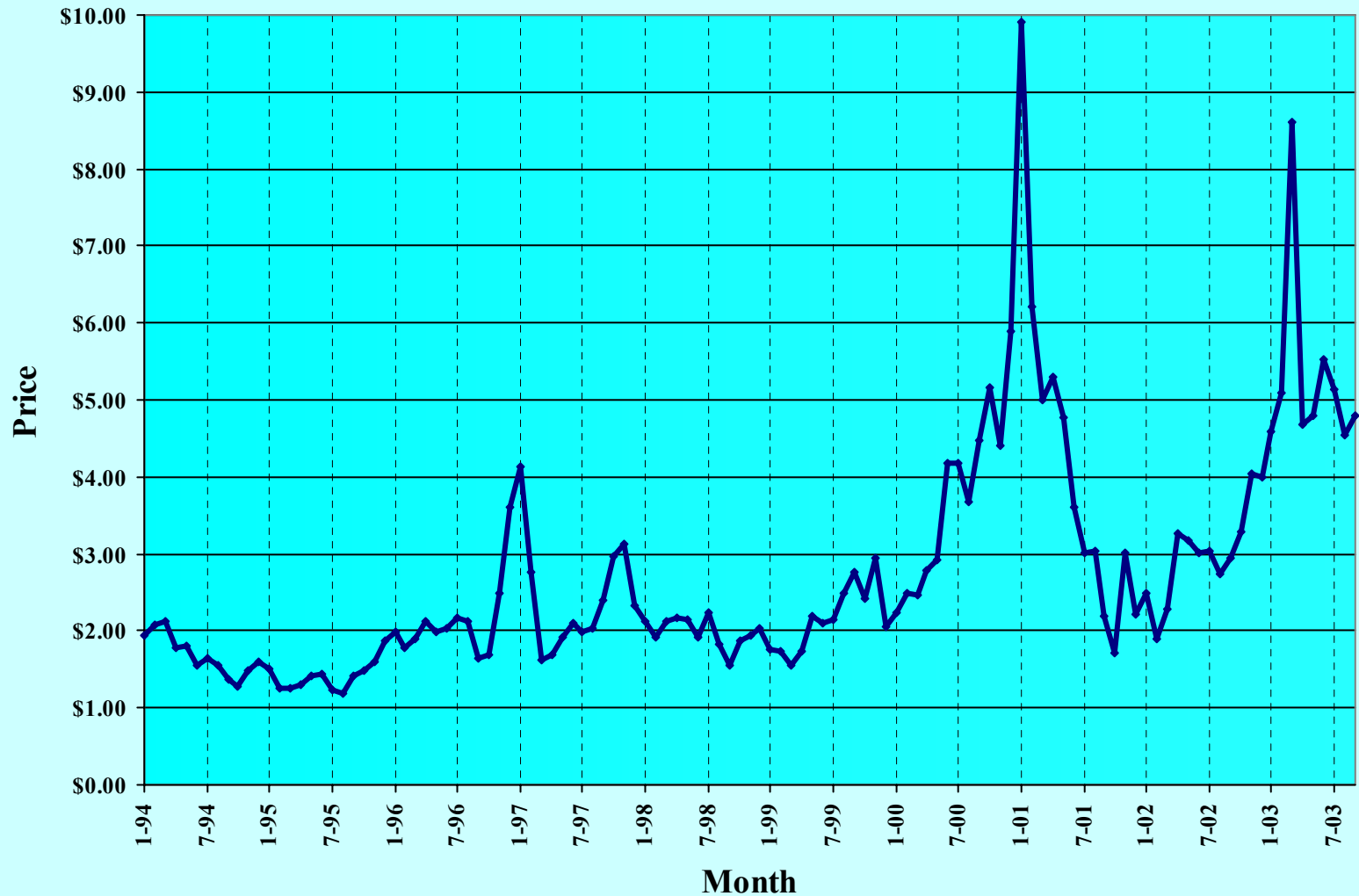
■ Mar. 2004 \$5.40

■ Mar. 2004 \$4.95

# Average Price of Nov. 03- Mar. 04 Strip



# 5 Midcontinent Pipeline Avg Index Price



# Cost of Gas on Consumer Bills

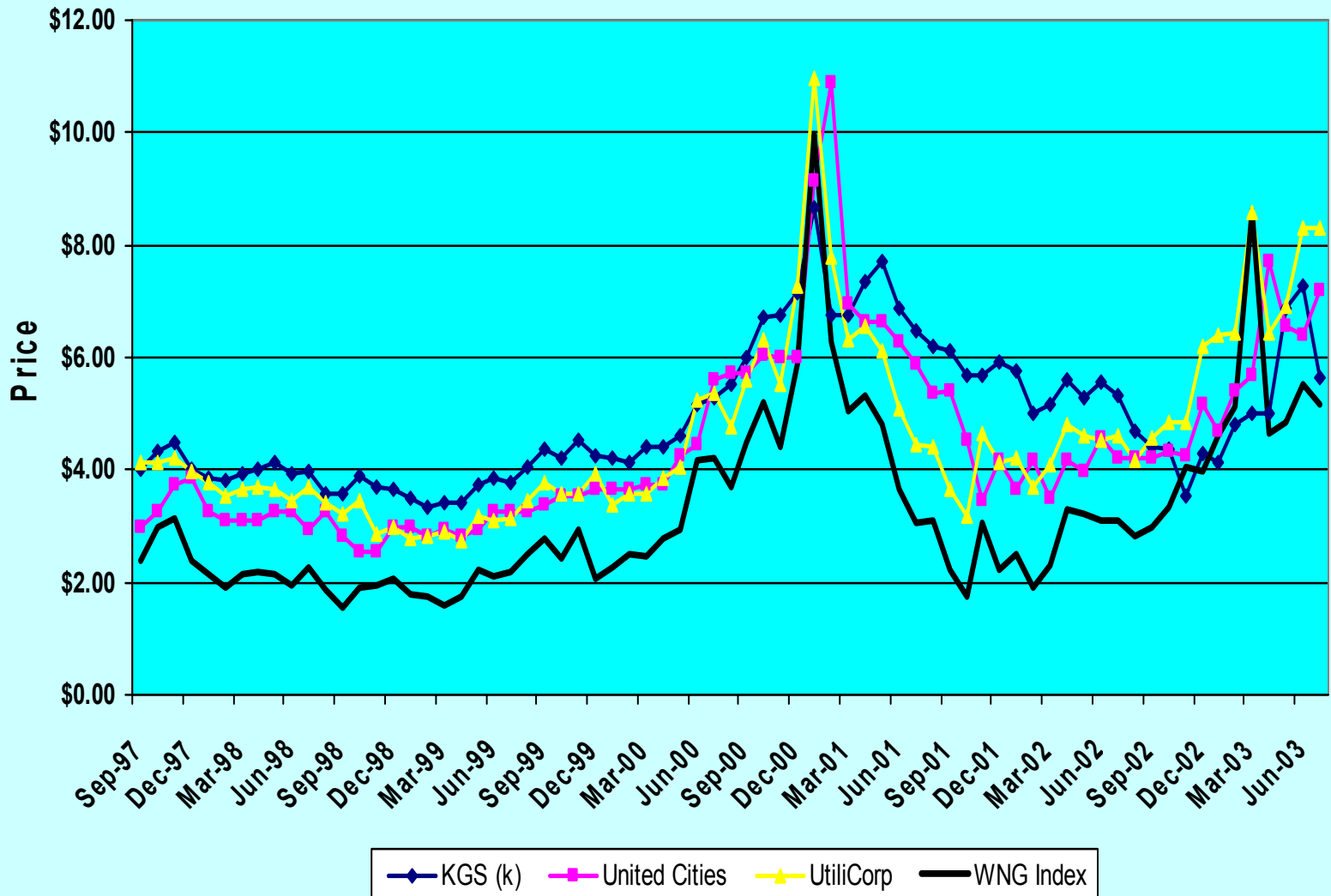
- Actual cost of gas
- Upstream gathering, storage and transportation
- ACA adjustment (prior over/under recovery)
- Hedging costs and revenues
- Refunds

**KANSAS CORPORATION COMMISSION**  
**NATURAL GAS BILL COMPARISON**  
**RESIDENTIAL 10 M.C.F.**

Jul-03							
COMPANY (1)	CUSTOMER CHARGE	COMMODITY MARGIN	COST OF GAS	BILL W/O TAX	COST PER MCF	% OF NAT. AVG.	% OF KS. AVG.
NAT. AVG.(2)				\$98.99	\$9.90		
ATMOS ENERGY (KV)	\$6.00	\$26.44	<b>\$82.56</b>	\$115.00	\$11.50	116.17%	137.28%
KGS	\$6.20	\$14.25	<b>\$56.46</b>	\$76.90	\$7.69	77.69%	91.80%
MIDWEST ENERGY-M	\$10.00	\$12.00	<b>\$67.03</b>	\$89.03	\$8.90	89.93%	106.27%
MIDWEST ENERGY-K	\$10.00	\$12.00	<b>\$81.92</b>	\$103.92	\$10.39	104.98%	124.06%
ATMOS ENERGY (UCG)	\$5.00	\$17.74	<b>\$71.18</b>	\$93.92	\$9.39	94.88%	112.11%
AQUILA	\$7.00	\$19.52	<b>\$82.88</b>	\$109.40	\$10.94	110.51%	130.59%
			WEIGHTED AVERAGE	\$83.77		84.62%	
(1) Service areas with approx. 5,000 or more residential customers							
(2) Bureau of Labor Statistics							



# Cost of Gas on Consumer Bills



# Kansas Gas Service Example

## Residential

### ■ 1) Average January Usage w/ January 2003 Prices (20 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$6.20	\$1.42	\$4.12	
Charge	\$6.20	\$28.40	\$82.40	\$117.00

### ■ 2) Average January Usage w/ New KGS Rates and Hypothetical Gas Cost (20 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$8.95	\$1.75	\$6.25	
Charge	\$8.95	\$35.00	\$125.00	\$168.95

### ■ 3) High January Usage w/ New KGS Rates and Hypothetical Gas Cost (35 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$8.95	\$1.75	\$6.25	
Charge	\$8.95	\$61.25	\$218.75	\$288.95

### ■ 4) High January Usage w/ New KGS Rates and High Hypothetical Gas Cost (35 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$8.95	\$1.75	\$8.00	
Charge	\$8.95	\$61.25	\$280.00	\$350.20

# Kansas Gas Service Example

## General Service

### ■ 1) Average January Usage w/ January 2003 Prices (60 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$10.00	\$1.33	\$4.12	
Charge	\$10.00	\$79.80	\$247.20	\$337.00

### ■ 2) Average January Usage w/ New KGS Rates and Hypothetical Gas Cost (60 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$17.00	\$1.62	\$6.25	
Charge	\$17.00	\$97.20	\$375.00	\$492.20

### ■ 3) High January Usage w/ New KGS Rates and Hypothetical Gas Cost (90 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$17.00	\$1.62	\$6.25	
Charge	\$17.00	\$145.80	\$562.50	\$725.30

### ■ 4) High January Usage w/ New KGS Rates and High Hypothetical Gas Cost (90 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$17.00	\$1.62	\$8.00	
Charge	\$17.00	\$145.80	\$720.00	\$882.80

# Aquila Example

## Residential

### ■ 1) Average January Usage w/ January 2003 Prices (20 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$7.00	\$1.95	\$6.40	
Charge	\$7.00	\$39.00	\$128.00	\$174.00

### ■ 2) Average January Usage and Hypothetical Gas Cost (20 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$7.00	\$1.95	\$6.25	
Charge	\$7.00	\$39.00	\$125.00	\$171.00

### ■ 3) High January Usage and Hypothetical Gas Cost (35 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$7.00	\$1.95	\$6.25	
Charge	\$7.00	\$68.25	\$218.75	\$294.00

### ■ 4) High January Usage and High Hypothetical Gas Cost (35 Mcf)

	<u>Customer Charge</u>	<u>Volume Charge</u>	<u>Gas Cost</u>	<u>Bill</u>
Rate	\$7.00	\$1.95	\$8.00	
Charge	\$7.00	\$68.25	\$280.00	\$355.25

# Summary for Consumers

- Cannot Control the Weather
- Minimal Control of Natural Gas Prices
  - ◆ Hedging
  - ◆ Purchasing Strategies
- Can Control How Much Natural Gas You Use
  - ◆ Weatherization/Conservation
  - ◆ Behavior Adjustments
- Better Information